



Holiday Items are Taxable



Vendors doing business in Connecticut are reminded that all sellers, including nonresidents, must register for a Connecticut *Sales and Use Tax Permit* and must collect and remit the 6% Connecticut sales tax on all taxable items sold. This includes vendors that come into Connecticut to participate in a craft show or who set up a temporary booth at a shopping mall in Connecticut.



As the holiday season approaches, DRS reminds retailers of Christmas trees (live or cut), wreaths, ornaments, and other similar holiday items that these items are taxable.

This season, as in years past, DRS field agents will be inspecting sites at which sales are made by holiday vendors to ensure compliance. Inspections include, but are not limited to, shopping malls, craft shows, and Christmas tree lots.

Sellers are also reminded that Connecticut law requires vendors to display the *Sales and Use Tax Permit* prominently at locations where sales are made.

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New Connecticut Income Tax Withholding Tables

New Connecticut income tax withholding tables for wages paid on or after January 1, 2002, are now available. The new tables are included in **Informational Publication 2001(31)**, *Connecticut Income Tax Withholding Tables Effective January 1, 2002*. The tables are a short click away on the DRS Web site at: www.drs.state.ct.us

The new tables include changes affecting employees who checked *Filing Status F* on **Form CT-W4**, *Employee's Withholding or Exemption Certificate*. Employees who check *Filing Status F* are those individuals who will file as "single" on their Connecticut income tax returns.

The withholding tables for all other filing statuses remain unchanged.

When calculating the amounts to withhold for employees who checked *Filing Status F*, employers must use the withholding tables included in **IP 2001(31)** instead of the withholding tables included in **Informational Publication 2000(11)**, *Connecticut Circular CT – Employer's Tax Guide* or **Informational Publication 2000(29)**, *Connecticut Income Tax Withholding Tables Effective January 1, 2001*.

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Businesses Can Now Update Their Registration Information On-line

DRS Fast-File Program not only offers Connecticut businesses on-line filing, but also provides many convenient registration options. Businesses can now add a new option to the list! Now, businesses currently registered for a **Fast-File** tax (sales and use taxes, business use tax, room occupancy tax, or income tax withholding) can update their Connecticut tax registration information on-line!



For more information about **Fast-File**, visit the DRS Web site at www.drs.state.ct.us and select "**Fast-File Program**."

More Registration Options Will Be Available In 2002

Beginning in early 2002, new businesses and businesses registered for **Fast-File** taxes will have additional registration options.

New businesses, by selecting the "**Register**" button in the **Fast-File** site, will be permitted to submit a registration application for most Connecticut taxes.

Businesses registered for a **Fast-File** tax will be able to register for additional taxes.

For more information on the **Fast-File** registration process, visit the DRS Web site at: www.drs.state.ct.us or call **1-800-382-9463** (toll free from within Connecticut) or **860-297-5962** (from anywhere).

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Purchases Over the Internet Subject to Taxes

DRS reminds businesses selling or purchasing taxable goods over the Internet that Connecticut sales and use taxes apply to these transactions. Existing Connecticut laws cover all remote sales transactions — mail order, TV shopping channels, phone shopping, etc.

Anyone who purchases taxable goods or services for use in Connecticut and does not pay Connecticut sales tax **must** pay the use tax. When a purchase is made and Connecticut sales or use tax is not paid to the retailer, the purchaser must pay use tax directly to DRS.

Use tax applies to the purchase or lease of assets such as furniture, equipment, machines, instruments, and computers. It also applies to the purchase of goods such as office supplies, paper, stationery items, certain publications, packaged software, and books that are used by the business. Goods and services that are used in carrying on a business are consumed by the business, and the business must report and pay tax on them.

If purchases are made in connection with carrying on a trade, occupation, business, or profession, the purchaser must be registered with DRS for business use tax and must report taxable purchases on **Form OS-114**, *Sales and Use Tax Return* for the period in which the taxable purchase was made, and pay any tax that is due.

If a business purchases taxable goods for its own use from an Internet company or an out-of-state mail-order company and no Connecticut tax is charged by the retailer, the business **must report** the purchase.

A resale certificate may only be used to purchase goods or services that are intended for resale in the regular course of business.

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The **Mission of the Connecticut Department of Revenue Services** is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the State's tax programs.

Recently Issued DRS Publications

DRS recently issued the publications listed below. See the "Forms, Publications or Personal Assistance" section below for ways to obtain these and other DRS forms and publications.

DRS Brochure

DRS 2001 (9), Quick Guide to Fast File

Informational Publications

IP 2001 (31), *Connecticut Income Tax Withholding Tables Effective January 1, 2002*

IP 2001 (26), Q & A on Sales and Use Tax for a New Business

IP 2001 (19), Connecticut Magnetic Media Filing Requirements for Federal Forms 1098, 1099-MISC, 1099-R, 1099-S, And W-2G

IP 2001 (18), Common Register Sales and Consignment Sales

IP 2001 (16), Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Etc.

IP 2001 (5.3), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Tax

IP 2001 (4.3), Numerical Index to Rulings and Administrative Pronouncements as Affected, if at all, By Later-issued Rulings and Pronouncements

Policy Statements

PS 2001 (13), Application of Sales and Use Taxes and Room Occupancy Tax to the Hotel and Motel Industry

PS 2001 (12), Production of Prewritten Software

PS 2001 (9), Sales and Use Taxes on Sales and Purchases Made by Veterinarians

Special Notices

SN 2001 (9), Sales and Use Tax and Admissions and Dues Tax Legislation

SN 2001 (5), The "Buy Connecticut" Provision

SN 2001 (3), Sales and Use Tax Exemptions for Nonprescription Drugs and Medicines and Smoking Cessation Products

SN 2001 (2), Miscellaneous Personal Services

What is a "Box of Joe" and is it Taxable?

A "Box of Joe" is a box containing 10 – 12 cups of hot coffee that is sold by a national donut chain. DRS considers the sale of a "Box of Joe", and all similar types of products, to be the sale of a meal. In Connecticut the sale of all meals, regardless of cost, is subject to sales and use taxes.

According to **Policy Statement 99(1)**, *Sales and Use Taxes on Meals*: "Meals ... include food products ordinarily sold in such form and portions that are ready for immediate consumption at or near the location of the seller. This includes prepared foods, prepackaged foods, hot foods and foods heated on the premises for the purchaser. A meal may be a full dinner or it may be a single item." Therefore, because a "Box of Joe" is served hot and is intended to be consumed right away, it is a meal and is subject to tax in Connecticut.

Retailers should be aware that when selling a "Box of Joe" together with a nontaxable item, say, a dozen donuts, the entire charge will be taxable unless the price of the "Box of Joe" is separately stated.

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Forms, Publications, or Personal Assistance

- Visit the DRS Web site: www.drs.state.ct.us
- Call CONN-TAX at **1-800-382-9463** (toll-free from within Connecticut) or **1-860-297-5962** (from anywhere). TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day, seven days a week by calling 860-297-4911.

Forms and publications may be obtained 24 hours a day, seven days a week, by using any of the following resources.

Internet: Preview and download forms from the DRS Web site at www.drs.state.ct.us

DRS TaxFax: Call **860-297-5698** from the handset attached to your fax machine.

E-mail: E-mail your request for forms to: ctforms.drs@po.state.ct.us

Telephone: From a touch-tone phone 24 hours a day call **1-800-382-9463** (toll-free from within Connecticut) and select **Option 2**, or **860-297-4753** (from anywhere).

For free assistance, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices, call CONN-TAX. If you require special accommodations, please advise DRS.

DRS OFFICES

BRIDGEPORT	HARTFORD	NORWICH
10 Middle St.	25 Sigourney St.	2 Cliff St.
203-579-6251	860-297-5962	860-889-2669

HAMDEN	WATERBURY
3074 Whitney Ave.	55 West Main St.
Bldg 2	Suite 100
203-287-8243	203-805-6789

CONNECTICUT TAX TOPICS is a quarterly newsletter about sales and use taxes and other state taxes of interest to businesses. This newsletter is designed to provide general information for taxpayers and tax practitioners. It is not designed to explain in depth a current Department policy or practice affecting the liability of taxpayers. Nothing in this publication supersedes, alters or otherwise changes provisions of Connecticut General Statutes, regulations, Department rulings or tax information publications.

2001 Legislative Changes Update

This is to inform annual and seasonal filers, who may not have otherwise been notified, about goods and services affected by 2001 legislative changes to sales and use taxes.

Annual and seasonal filers should be aware that changes were made to: Parking services; Patient care services; Fuel cell manufacturing; Clean alternative fuel exemptions; Nonresident contractor bond due dates; Caskets for burial or cremation; Certain medical equipment; Smoking cessation products; Data transmission equipment; Internet access services; Computer and data processing services; Renovation and repair services to residential property; and Indian tribes.

For more information see **Special Notice 2001(9)**, *2001 Sales and Use Tax and Admissions and Dues Tax Legislation*.

Transitional Rules For Sales And Use Taxes

Charges for services provided before and after the date of repeal of the tax on such services are subject to tax only on the portion of the charges for services provided before the date of repeal.

Charges for services being reduced because of a phaseout of the tax are subject to tax at the higher rate only on the portion of the charges for services provided before the date of the rate reduction. The portion of the charges for services provided on or after the date of the rate reduction is subject to tax at the reduced rate.

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Gene Gavin, Commissioner; Contributors: David P. Barry, Louis Bucari, Anna Crawford, Brenda Lauzier, Jean Morrison, and Peter Teuwissen
State of Connecticut, Department of Revenue Services, 25 Sigourney Street, Hartford CT 06106-5032.